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C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 000212

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SUBJECT: EU RESUMES TRADE, POLITICAL NEGOTIATIONS WITH IRAN

REF: 2004 USEU 5396 AND PREVIOUS

Classified By: USEU POLOFF LEE LITZENBERGER; REASON 1.4 (B,D)

¶1. (C/NF) Summary. The atmospherics at the January 12-13 EU-Iran Trade and Cooperation and Political Agreement negotiations in Brussels were positive and relaxed, and Iran appeared to want the negotiations to succeed, according to Council Secretariat officials who attended. Negotiations are still in the initial stages, and will take some time to complete. The next round is likely to take place in Tehran in March, although no date has been set. The EU believes it can sustain the talks -- and Iran's parallel commitment to suspend uranium enrichment -- easily through March and probably through the summer by offering Iran cooperation in various areas. Beyond that point, though, the EU officials expect that Iran will seek some gesture from the U.S. in order to maintain its enrichment suspension. Should this point be reached, the EU would hope the U.S. could make a gesture. One possibility is support for Iran's WTO accession, and Iran has also expressed concern about possible attacks on its nuclear installations. End Summary.

Good Atmospherics

¶2. (C/NF) On January 12-13 in Brussels, the EU renewed long-suspended negotiations with Iran on a Trade and Cooperation Agreement (TCA) and parallel Political Agreement. The resumption was part of the Paris accord reached between the EU-3 and Iran in November in exchange for Iran's suspension of uranium enrichment. According to EU Council Secretariat officials Bjorn Larsson and Sophie Kiesling

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(strictly protect), both of whom work on Iran and attended the talks, the atmospherics were positive and relaxed. In the Political talks, the Iranians complained about EU Parliamentarians' contacts with MEK and, Larsson quipped, "the Iranians always think they have more leverage than they do." Some Commission officials also reportedly remarked that the Iranians seemed tense, but in the view of Larsson and Kisling the talks were more relaxed than past sessions. The Iranians left the impression that they wanted the negotiations to succeed.

¶3. (C) The EU delegation for the TCA talks was led by Commission Middle East Director Christian Leffler, who had led the first four rounds of TCA talks prior to their suspension in 2003. The Political Agreement talks were led by retired Luxembourg Political Director Paul Mertz (who attended last fall's U.S.-EU-Iran Trilateral consultations in Brussels).

No change in EU linkage of Trade and Political Talks

¶4. (C/NF) The Council officials assured USEU that the EU has not dropped its earlier insistence that the trade and political agreements are linked -- one won't be signed without the other -- and progress on both must go hand in hand. They also said the political agreement would "be updated" to reflect new EU standard language on WMD that was adopted after the talks had been suspended in 2003. They added that the Iranians seemed prepared to accept this in principle, although they noted that discussions are still preliminary and no texts have been exchanged. The Council officials said they expect Iran will object to many parts of the text the EU will propose.

Next Round Likely to be in March

¶5. (C/NF) A date for the next round of TCA/Political talks has not been set, but Larsson said it is unrealistic to meet more frequently than every two months and he therefore thought it likely the next round will be held in March, in Tehran.

EU not happy with Iranian comments to press

¶6. (C/NF) Larsson said the recent comments to the press by Iran's nuclear program chief Musawien that Iran's decision to suspend uranium enrichment was conditional on the success of its talks with the EU were "unhelpful." Larsson said the

EU-3 had reached agreement in December from Iran's National Security Chief Rowhani that "the suspension of uranium enrichment is indefinite for the duration of the talks," and that press statements should be kept to a minimum.

U.S. role needed for long-term agreement?

17. (C/NF) Larsson was confident the EU's TCA/Political negotiations could provide Iran sufficient incentives to maintain its uranium enrichment suspension through March and probably into the summer of 2005. For a long-term arrangement locking in a permanent enrichment suspension, though, Larsson opined that Iran is likely to seek a "positive signal from the U.S." In the economic area, support for Iran's WTO accession would be one possibility. (In this connection, Larsson noted that the Iranian press has reported that a foreign subsidiary of Halliburton recently signed a \$310 million contract in Iran.) On the political side, Larsson said the Iranians have expressed concern about possible attacks against their nuclear facilities. Larsson opined that, should the talks reach the point where a small step by the U.S. could keep the enrichment suspension in place, it would be difficult for the EU to blame Iran if the U.S. proved unwilling to make a gesture toward Tehran.

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